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GEOGRAPHIC DESTINATION AND MARKET OUTLETS FOR LUMBER PRODUCED BY KENTUCKY SAWMILLS

In 1964 more than a third of the commercial sawmill operators in Kentucky were asked where, in what proportion, and how (through what channels) their lumber production was sold during 1963. Commercial sawmills were defined as those selling more than half of their total production and the 142 commercial sawmills contacted were randomly selected after first stratifying the 338 sawmills in Kentucky by geographic area and production size-class. Personnel from the Division of Forestry, Kentucky Department of Natural Resources, interviewed the sawmill operators.

General Pattern of Kentucky Lumber Marketing

Kentucky lumber manufacturers marketed an estimated 352 million board feet of lumber during 1963.[1/] Fifty-two percent of this was sold directly to out-of-State buyers. In addition, at least part of the 20 percent that was sold to Kentucky wholesalers finds its way to out-of-State users. Four states adjoining Kentucky--Tennessee, Indiana, Illinois, and Ohio--receive almost three-fourths of Kentucky's total export volume (fig. 1).

The lumber market outlets were classified as:

Wholesale - Lumber purchased for subsequent resale to other distributors or manufacturers.

Retail - Lumber purchased for subsequent sale to consumers.

1/ Sampling error of plus or minus 8 percent at 95-percent level.

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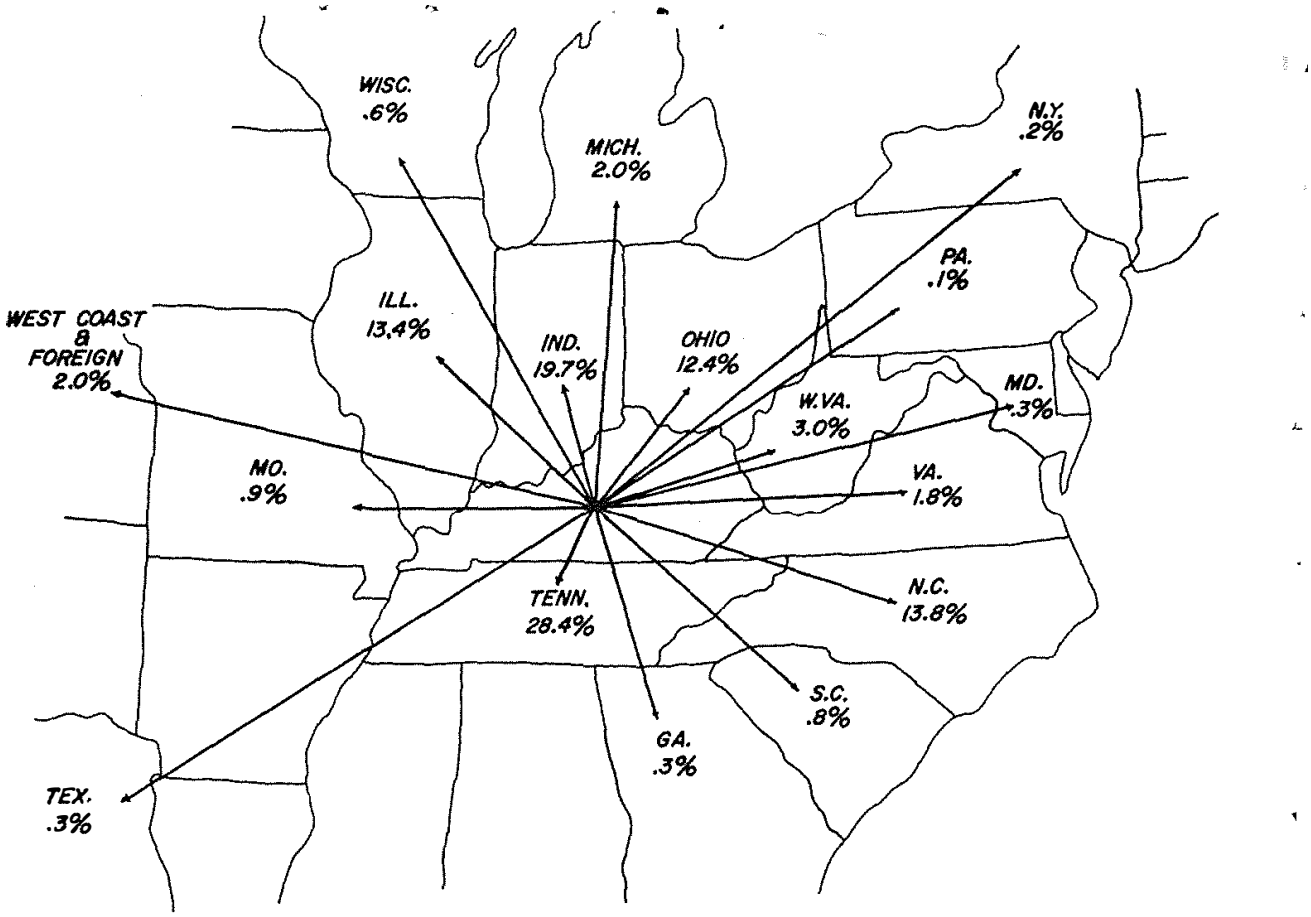

FIGURE 1.--Destination of Kentucky lumber sold to out-of-State markets, 1962.

Manufacturer - Lumber purchased for subsequent manufacture into producer or consumer goods.

Consumer - Lumber purchased for satisfaction of individual needs. No further sale is involved.

Other - Brokers, commission agents, and jobbers. These are specialized operators who, although not purchasing lumber themselves, bridge the gap between the lumber producer and any of the other outlets.

Manufacturers purchased almost half of the lumber sold by Kentucky sawmill owners during 1963 (fig. 2). Individual consumers and wholesalers each purchased about one-fifth of the volume, while retailers and others accounted for roughly equal shares of the remaining volume sold. It is likely that a large volume of the hardwood lumber sold to wholesalers and handled by brokers was also eventually absorbed by manufacturers.

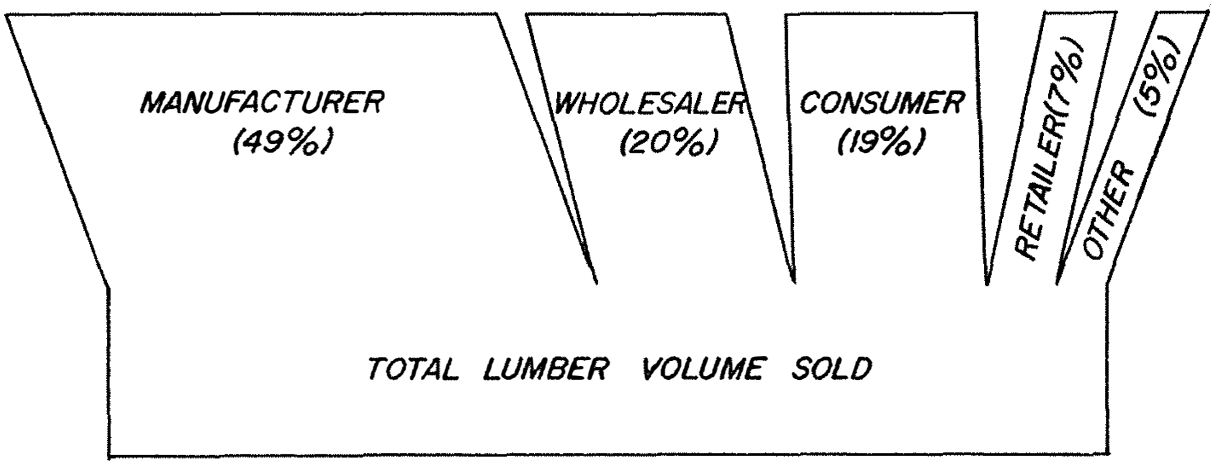

FIGURE 2.--Market outlets for Kentucky lumber, 1962.

Manufacturers purchase nearly two-thirds of the lumber volume sold out-of-State, but only slightly more than one-third of the volume sold in-State (fig. 3). Other market operators including brokers, commission agents, and jobbers also account for a large share of lumber going to out-of-State markets. By contrast, consumers and retailers are more prominent as buyers of lumber sold in-State.

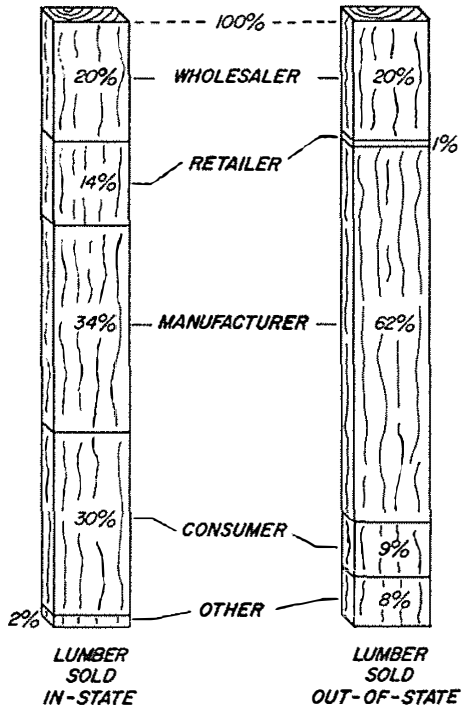

FIGURE 3.--In-State and out-of-State sales of Kentucky lumber, by type of market outlet, 1962.

Lumber Distribution Differences Between Species Groups

Hardwood lumber generally goes into product manufacture while most softwood lumber is used in construction. Accordingly, hardwood and softwood lumber typically flow through different marketing channels.

More than 90 percent of the lumber produced and marketed by Kentucky lumber manufacturers is hardwood--red and white oaks, yellow-poplar, maple, etc. Therefore, although softwood lumber exhibits entirely different marketing characteristics, its effect on the total lumber marketing pattern is slight.

Out-of-State buyers purchase slightly over half of the hardwood lumber produced in Kentucky, whereas less than one-third of the softwood lumber enters out-of-State markets (fig. 4).

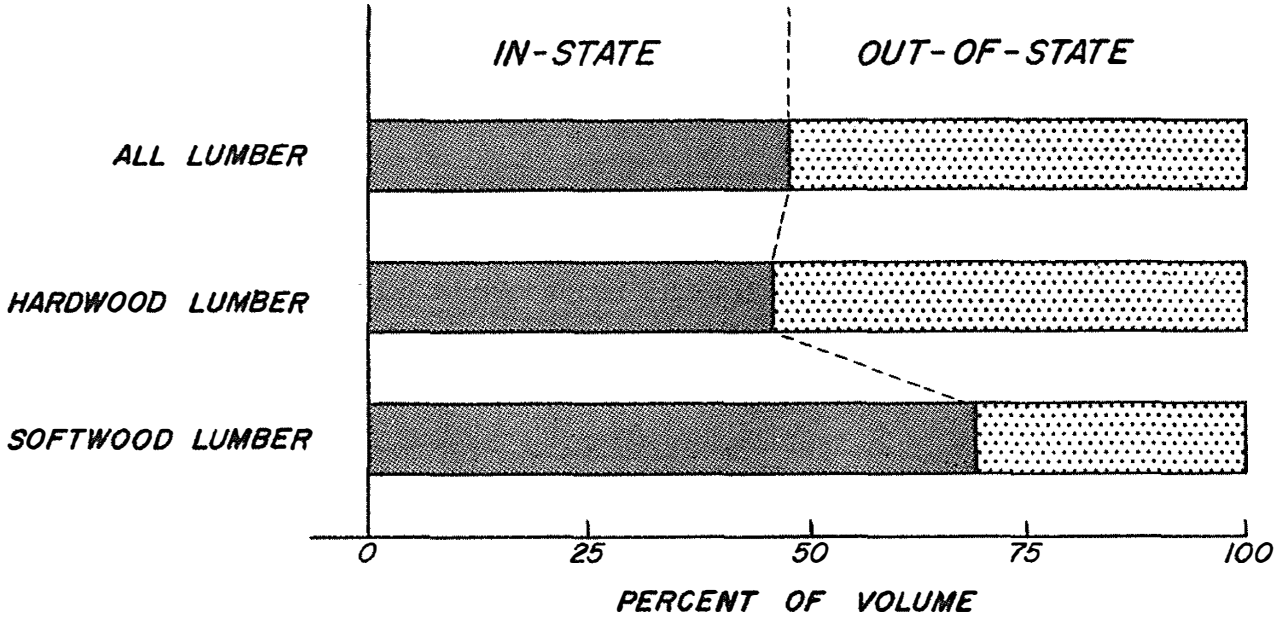

FIGURE 4.--Proportion of Kentucky lumber sold to in-State and out-of-State markets, by species group, 1962.

Geographic distribution of both hardwood and softwood lumber follows the same general pattern already noted for all lumber exported (fig. 1). The main distinction is that most of the softwood volume exported goes to buyers located in states bordering Kentucky, while 21 percent of the hardwood volume goes to buyers located beyond these surrounding states.

Hardwoods have the same general pattern as the total lumber volume marketed; about half the volume is sold to manufacturers, one-fifth to wholesalers and consumers alike, and the remainder split between retailers and other market operators. By contrast, softwoods are directed primarily to wholesalers and retailers who together purchase around two-thirds of the softwood lumber volume. The remaining softwood volume is almost evenly divided among manufacturers and consumers. Brokers, commission agents, and jobbers apparently deal exclusively with hardwood lumber in Kentucky, since no softwood lumber volume was reported as sold through these market channels.

Comparing in-State and out-of-State market outlets by lumber species group, there is little difference out-of-State, with manufacturers and wholesalers being principal markets for both species groups (fig. 5). In-State, however, hardwood goes mainly to manufacturer and consumer outlets whereas softwood lumber moves principally in wholesaler and retailer markets.

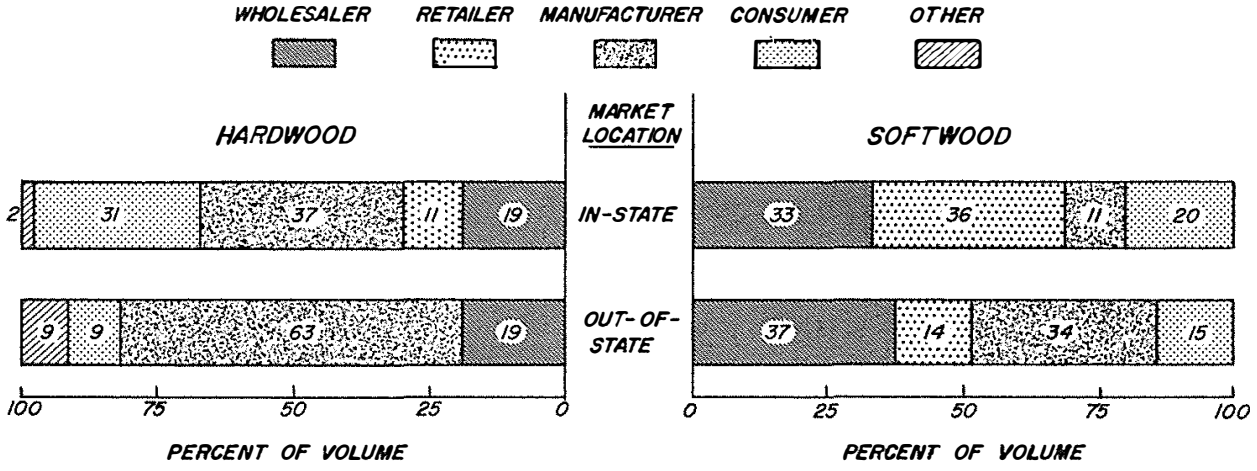

FIGURE 5.--Percentage distribution of lumber marketed to various outlet types, by species group and market location, 1962.

Lumber Distribution Related to Sawmill Size

Two-thirds of the lumber from large mills is sold through market outlets located out-of-State (fig. 6). By contrast, approximately one-fourth of the lumber from small mills is marketed out-of-State--presumably because lumber offerings from small mills do not normally attract large out-of-State buyers.[2/] Also, larger sawmill firms generally have more knowledge of the location and variety of out-of-State outlets and can meet the volume and grade requirements of large market outlets.

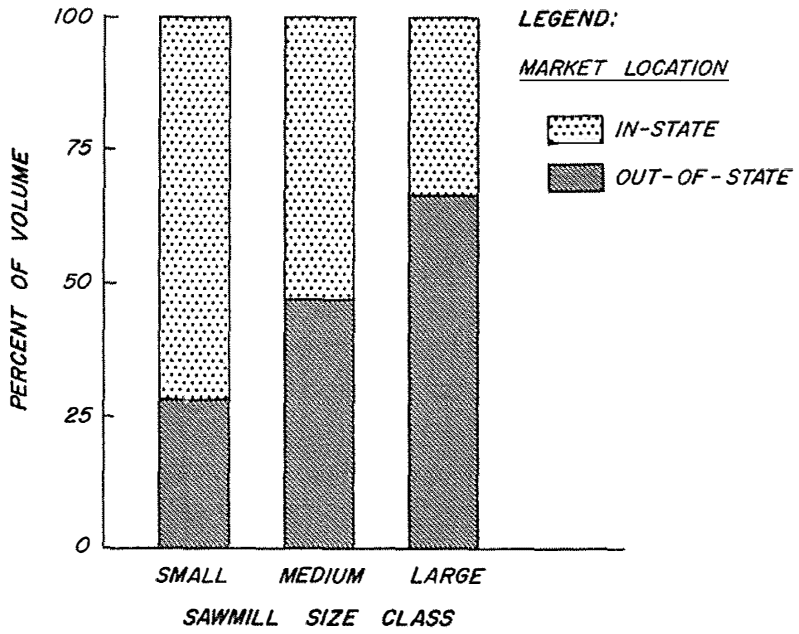

FIGURE 6.--Proportion of lumber sold to in-State and out-of-State market outlets, by sawmill size-class, 1962.

Amount of lumber sold to various market outlet types also differs by sawmill size-class. But in this case the differences exist between small mills on the one hand and medium-large mills on the other, since medium and large mills market about the same percentages of their lumber output among the various market outlets.

2/ Size classes used: Small--mills marketing less than 500 thousand board feet annually; medium--mills marketing 500 to 2,999 thousand board feet annually; large--mills marketing 3 million board feet or more annually.

Small mills sell about one-fourth of their total lumber output to manufacturers, whereas medium and large mills market around half their lumber in this outlet (fig. 7). Moreover, small mills sell more to retail and consumer outlets than do medium and large mills. All size classes sell nearly the same proportion of their lumber volume to wholesale outlets.

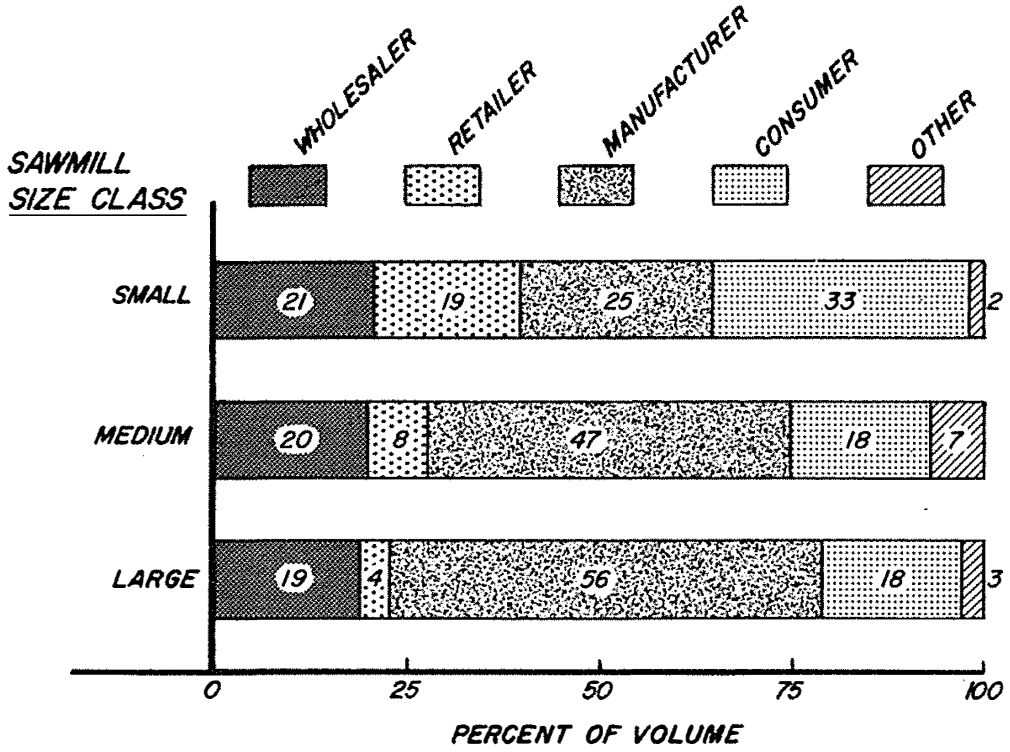

FIGURE 7.--Percent of lumber sold to various market outlets according to sawmill size-class, 1962.

Conclusions

The total volume of Kentucky-produced lumber that is sold in subsequent years will very likely differ from the 1963 total of 352 million board feet. But ratios representing the general pattern of market flow for Kentucky lumber presumably will retain the same general relationships for the next several years.

Many factors, ranging from the species and uses for lumber being sold to size of firms producing and selling it, are reflected in the pattern of lumber movement. Although the volume of lumber sold out-of-State is about equal to that sold in-State, out-of-State manufacturers are presently the largest single-market outlet. This is of considerable significance because along with the lumber sold to out-of-State destinations go substantial opportunities for increased value added through further manufacture of lumber products within Kentucky, including supporting employment and service opportunities as well.

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